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INFO RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE PRIORITY
RUEHGB/AMEMBASSY BAGHDAD PRIORITY 0709
RUEHJI/AMCONSUL JEDDAH PRIORITY 9744
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C O N F I D E N T I A L RIYADH 001400

SIPDIS

DEPT FOR NEA/ARP, EEB, NEA/I(TAECKER)

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TAGS: [EFIN](#) [EAID](#) [ECIN](#) [ECON](#) [SA](#) [IZ](#)

SUBJECT: SAUDIS WAITING ON IRAQIS TO MOVE FORWARD ON DEBT
RELIEF

Classified By: Deputy Chief of Mission David Rundell for reasons 1.4 (b)
) and (d)

¶1. (C) In a September 6 courtesy call, Econoff discussed Iraqi debt relief with Deputy Finance Minister Dr. Hamid al-Baz'y. Dr. al-Baz'y said that though there had been significant progress toward an agreement on the amount of the debt's principal at a previous meeting in September 2007, there have been no subsequent meetings. He elaborated that the SAG had not received a request from the Government of Iraq (GOI) for another meeting to address issues that remain outstanding.

¶2. (C) The deputy minister told Econoff the SAG was both "willing to and interested in" resolving the question of Iraqi debt relief and judged that this could be done relatively quickly. Dr. al-Baz'y said he expected questions on the numbers involved, i.e. principal and interest owed, could be addressed in one or two further meetings, after which discussions could proceed to the timing and other details of debt relief implementation.

¶4. (C) Despite public Saudi commitments to forgive a substantial portion of Iraqi debt, including speeches at both a September 2006 UN high-level meeting in New York and at the May 2007 International Compact with Iraq conference, questions on the amounts involved have plagued discussions since 2004. Estimates of the outstanding debt range from \$16 billion to \$39 billion, with neither side able to document their position effectively.

¶3. (C) Comment: While the deputy minister's relatively upbeat assessment may not fully reflect Saudi Arabia and Iraq's apparent inability to resolve the debt issue after several years of slow progress, we believe technical negotiations on this are worth pursuing and could prove successful. Post is eager to work with the SAG, NEA/I, and Embassy Baghdad to arrange future meetings on this issue with the GOI. We believe a final agreement is within reach and could prove a valuable step in improving Saudi-Iraqi bilateral relations. End comment.
FRAKER